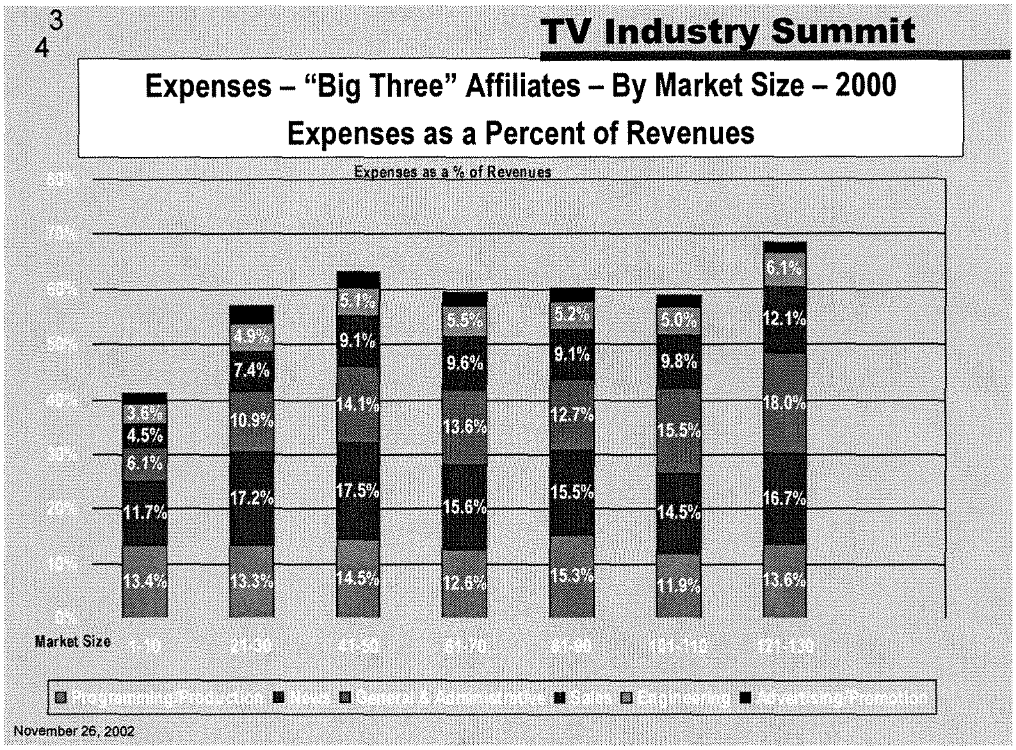
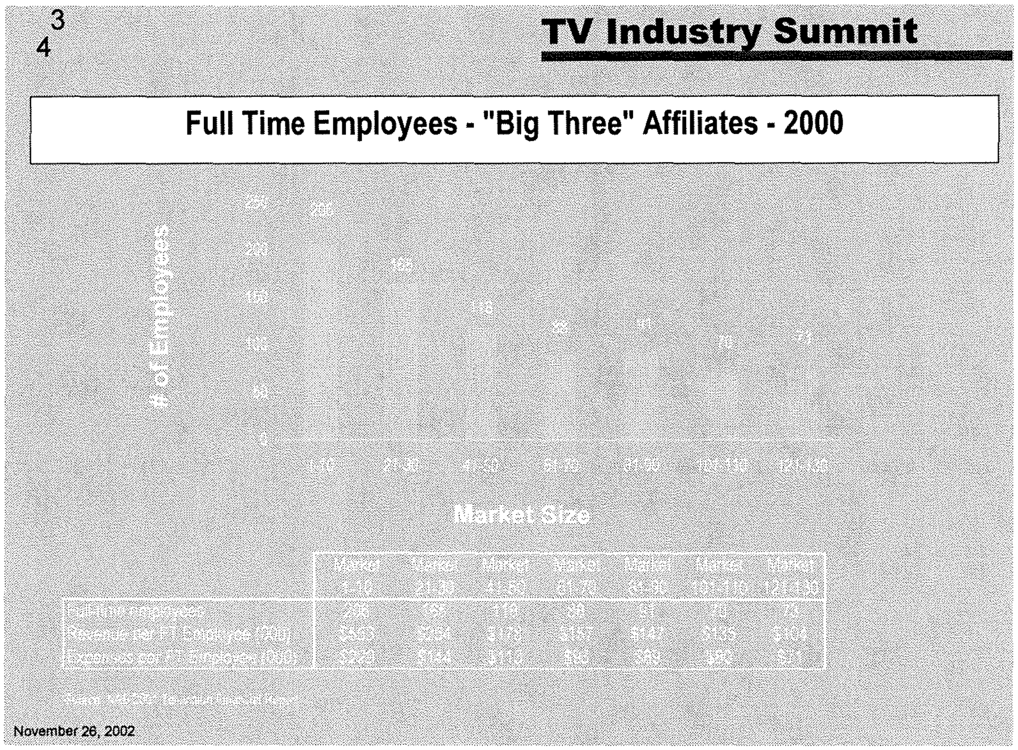


Victor Miller: Let's talk about the expense side. The next slide is…this is where we…first of all, I'd like to see if you think these are roughly right. This is, again, from the NAB. We have programming, production, news, general administrative, sales, engineering, advertising, and promotion. First, let's just generally talk about the staffing of a television station before we get into some of these costs—specifically the percentages. Do these percentages look roughly right to, you know, the type sized markets that you're…?

Jim Yager: Yes.



Victor Miller: Okay, let's look at the staffing. First of all, full time employees of a station in market one twenty-one to one-thirty...seventy-three, roughly; in market one through ten, two hundred and six. Now, there seems to be a certain minimum level of expenses required to operate a TV station while the largest market averaged, as we said, two hundred-plus employees and markets one twenty-one through one-thirty averaged just over seventy...the big market stations have fifteen times more revenue on average and only have three times the employees. Is this true? And why is this? Perry?

Perry Sook: It may well be true. There is a certain minimum level of staffing if you want to provide full service. And I think the thing that across these companies is, you know, we can comp fifteen markets against each other and you can get as close to a...almost a McDonald's franchise approach. You know that in markets one-twenty to one-fifty it's going to take twenty-five to twenty-eight people to do news and you need this many at master control. And I think you can very easily point out inefficiencies in your current group or in your acquisition targets. But from my perspective, when once you cross that threshold, it's all about the revenue because your only incremental cost of doing business when you raise revenue is sales commission. So, it allows the wonderful margin and leverage opportunities that we have. But, again, I don't think your question is...the revenue per capita, I guess is kind of how? Profit per capita?

Victor Miller: On this slide it's a hundred and four thousand dollars per employee in markets one twenty-one through one-thirty and five hundred and fifty-three thousand in markets one through ten; it's about five times the level of revenue per employee.

Perry Sook: I think this ties back to, you know, the revenue per market; you know, average revenue per station that you kind of started the discussion with. So, I'm not sure that there's much more to be learned from this other than we haven't; it costs three million dollars to run a network-affiliated TV station with a full news complement, you know, in markets one-twenty to one-fifty. And it is just an absolute lower cost of operation. You know when you talk about two hundred full time employees in markets one to ten, I know that we can run a station with probably less than seventy-three people in markets one-twenty one to one-thirty. Then it's just a question of scale and specialized reporting.

Jim Keelor: I think the key is not to look at the current model, which I don't frankly believe we can sustain on the kind of profit margin we would like. Since 2000 we have put a lot of time and money into inventing a new station model, as other broadcasters have; we're only about a third of the way there and I know Paul's done some of this. Gary Chapman [CEO of LIN Television] made the statement this morning that, you know, maybe in Fort Wayne they would end up with a news department and a sales department. I think that's exactly where it's going to go in our sized markets. Central casting and the hubbing and all of that is not cost-effective for many of us in these sized markets yet because the cost of fiber is too high. You can replace a ninety thousand dollar master control operator in Philadelphia—it's twenty-five thousand in Lake Charles. That will eventually catch up. But what we are doing is regionalizing business managers where we once had fifteen, we eventually we will have six. The most controversial thing we're going to implement this year, as soon as we get a new traffic system, is regionalize our national sales managers. And we're not saving money by doing that. We are putting resources back into general sales managers and local sales managers because we have...we must improve our revenue generation. And our reps [national sales representatives] have been very helpful, contrary to what you might think, and just as long as we've got the right people in the right jobs. So, if you think you can sustain the current model, good luck. You might be able to in a big market. But even the big guys, like NBC, are going to some sort of new business model; it's essential. We're doing it as aggressively as we can; we have an enviable balance sheet, which allows us to do it rapidly. And, in five years, we're not going to look anything, station structure wise, like we look today.

Victor Miller: Mr. Yager?

Jim Yager: Yes, I think this is an interesting panel because the four companies represented here probably don't have a station—maybe one or two stations rank third in our markets—most of them are one or two. So, I think we are where the future of the small to mid-sized markets [lies]. What's not represented here is the third, fourth, and, in some case, fifth-placed stations in the market. And, for them, I would question the future. I truly wonder what their position will be in four to five years. I don't see in our sized markets sustaining three or four news operations over the long term—even at these staffing levels. And if you can't do some of the things that Jimmy was talking about; this is kind of the evolutionary process of our business. Afternoon newspapers used to be a big thing across America. How many afternoon newspapers are left in this country today? They will eventually go away. That's why if you want to keep a number of kinds of outlets in the small markets duopoly has to come...or some kind of terribly liberalized procedure for LMAs in our sized markets. I think it's not these four companies that are going to be in danger; it's the third and fourth and fifth placed companies in their markets.

Victor Miller: Let's talk about programming a little bit. First of all, about news and production, I should say. Is this the station's biggest single cost? Are you adding more news programming in your markets? And why are you doing that? Paul, why don't we start with you?

Paul McTear: Yes, we are adding more news, but it's selective. Obviously, it's market by market; it's driven by competition and audience. I was startled to hear somebody earlier today say that they have started their morning news at four-thirty. And, actually, we just approved two television stations to do that in the budgeting process. And we also have launched in this budget process two weekend morning news' in a middle sized market with the consent of the network. The network was flexible enough to let us move around some of their shows. So, we've added people throughout last year and in this upcoming year in news and in sales...and very little elsewhere because, based on what Jim has said, we are more dependent on infrastructure and technology; it's not cost-effective yet to tie multiple television station operations together because of the cost of connectivity as well as the low cost of labor that we have in our markets. But we have closed six back offices at this point—all of our Fox Television stations—we have six of them—are all run out of...their business offices are all run out of our largest Fox station in Cincinnati at this point. But news, we will continue to spend money. All of our stations, except for one or two, do editorials on the air. Again, that's part of the commitment we make to our community to serve it because, I think Perry said it...is we have seventy-odd people in a market. We could probably run it with sixty, but we would not provide the same level of service from the news and an editorial standpoint that we choose to do. To a point I made earlier about my cash needs, the fact that I have eight million dollars worth of new uses for cash next year as a result of DTV...it will be a great opportunity for us to take our news leadership in our markets...of groups similar to us and marry them up with a weaker television station. That's probably a poor choice of words on my part. But a television station or a channel that has diverse demographics...that will enable us to leverage or get better utilization out of these costs so that maybe on a combined basis we're able to take a thirty-one-point-six percent margin and make it somewhat more competitive and bring some new revenue in to offset the DTV costs going forward.

Victor Miller: Are you guys also spending more or less on the news these days?

Jim Keelor: We're spending more because we…that's one of the reasons we kept our margins up is that we…I mean, when automotive is hot, political is hot, and you have the number one news, you stand back and let it happen and its worth the investment. But I would like to comment on what Paul said. It's ironic that if we amortize the cost of that news over another station in the market, we could not only do that and help ourselves but we could help the market. And we could program more diverse time periods, we could do a different type of newscast, we could actually provide what the Commission would like to see happen—better public service in most of these stations that aren't doing much.

Victor Miller: Perry?

Perry Sook: We're spending more money on news and more money on client development and sales promotion next year than we ever have in the past.

Jim Yager: As are we. News commitment is paramount to the local television news.

Victor Miller: Let's talk about the cost of the programming itself, your syndicated product. What do trends look like here? What do cash program payments look like in your markets? I imagine that, given the fact that you have fewer competitors, program payments should be a cost bright spot, I imagine, in your marketplace. Perry, do you want to start?

Perry Sook: Our cost for syndicated program expense has gone down a double-digit number in each of the last three years to the extent that next year we'll approach a [level of] six percent of net revenues would actually go for syndicated programming. Again, it is the positive leverage that we have that, quite frankly, when I was in the station business in Dallas, earlier in my career, we didn't have. We fought over barter programming to fill the air. Here, you've got the economics of the syndicated programming business are built to feed New York, Los Angeles, Washington's seven-plus commercial station markets. Once, you get outside of the top forty or fifty markets you don't have a full contingent of all the networks represented—all the syndicated programming choices have not been exercised. So it is an opportunity for us to leverage. And, there's not a one of us here that has not added newscasts and day parts; whether it be early morning, early fringe…and that takes up available time slots as well. And, by the way, we can sell news to advertisers at a higher unit rate and a higher cost per point than we can entertainment programming in those day parts. So, there would be a natural bias toward increasing our news.

Jim Keelor: We try, I think, to take as many time periods away as possible from the syndicators; not because they're bad guys, it's just because they know how to cut really good deals when they have leverage. "Dr. Phil" is a hit, Roger King's already double the price for two-year renewals and he'll probably get it because there haven't been many hits in syndication. So, you're protecting your cost, you're providing the advertiser with a better advertising vehicle in local news. And, in the long term, that's your future. If we were in bigger markets, I'd be doing news from four o'clock in the afternoon till seven-thirty at night…in some form.

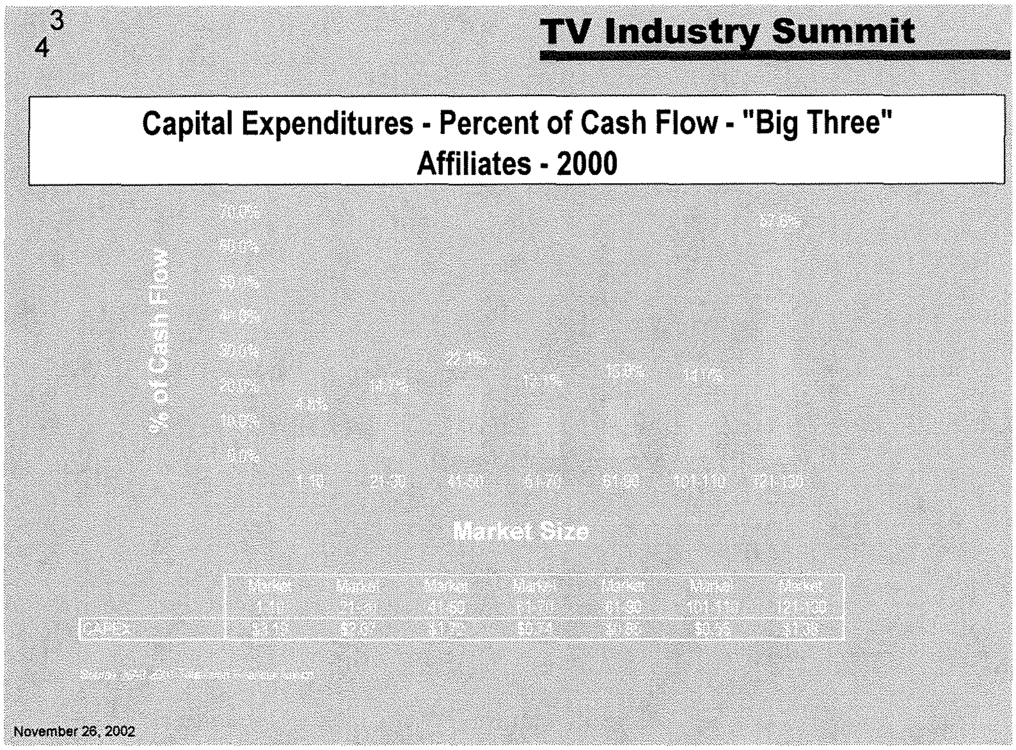
Victor Miller: How are you approaching sales? You mentioned your putting more…how many more bodies are you putting into that? How much more are you emphasizing the sales side and why do you think you need to, bulk up there? And then could you guys just comment on your sales efforts?

Jim Keelor: Well, quickly, it's amazing, when you look at all the diverse program choices that have been talked about all day and you see the growth of the advertising pie in general? Ladies and gentlemen this is still one hell of a business. Advertising is a tremendous business. We've just got to make sure we get our share. And the way to get our share is to improve our local share. So, what we've done is—I mean, there are not many markets in the hundred and eightieth market that…whose sales staffs all have laptops and

Blackberries and...and Goldmine software and Matrix software and have special sales training seminars twice a year; because we have to put the money in that. We have cut our way to where we can't cut any more unless we use technology to create a new model, which we're doing, or unless we reduce services. We are not going to reduce services and maintain our competitive market position. So we've got to do it with improved sales because nobody's going to give us additional shares—certainly not these guys where I'm competing against.

Victor Miller: Paul?

Paul McTear: I agree with what Jim has said. The Year 2000 frightened us and, even before it was over, when we were in the process of budgeting—I misspoke, the year 2001 frightened us. Before it was over when we were doing 2002's budget, we decided that we'd try to make some changes. We have not, as a company, spent a lot of money or time on sales development. You know, I think it's the same sales model year after year after year...sales compensation plans et cetera, et cetera. We decided to change that so we actually budgeted an increase in fixed sales costs with about two million bucks for our company. Where we had brought in some consultants whose sole purpose is to drive some development business in our markets. We've been very successful. You know, that combined with the political has really enabled us to do a good job. What's the right number? I really don't know. But...in Savannah, we probably have, I think, fifteen people on the street in our CBS affiliate. So, in...in Memphis...we have probably about twenty. It does vary by market and it does vary—we do break it down into transaction teams and development teams. And I've been successful in doing it.



Victor Miller: Let's talk about, if I may, slide sixty-one, CAPEX [capital expenditures]. Here we have CAPEX averaging three-point-two million dollars in market one through ten, which is about four-point-eight percent of the average cash flow of that station. In markets one-twenty-one through one-thirty the average was about one-point-three-eight million, or about fifty-eight percent of the cash flow generated by that station. Talk about the impact of digital television as you guys—obviously this is a main driver of this phenomenon, I imagine. Talk about how digital television is absorbing your cash flow and how you're handling that relative...and what expectations you get in recovering that money that you're putting into that—if there's anything at all. Jim, do you want to kick it off and we'll go to Perry?

Jim Yager: Yes. Let me answer the last part of your question first. We have yet to see a model, and it was kind of interesting hearing Bruce Baker [EVP – Cox Television] and Kevin [O'Brien, President – Broadcasting Group, Meredith Corp.] and Gary [Chapman, CEO of LIN Television] talk about, you know, their conversion to digital. We have yet to see a model where we are going to realize much return on our digital investment over the next two to three years. The truth of the matter is, it's a cost of doing business. If you believe in television, free, over the air broadcast television, you have to make the investment in digital if you're going to be in this business in five years. Now, if you don't think there's a future, you ought to sell the station, in my...in my simple view of things. We will develop, we will develop good solid business models for our digital stations as we go forward, but we're not there yet. We still don't know about multicasting. We still don't know what relationships we're going to have with our own networks when it gets into a multicasting world. Those are still things that have to be worked out that we have not gotten over the hurdle yet. We were arguing as short a time as eighteen months ago about a standard for digital. So, I mean, we were in large, long debates as to whether we were going to have 8VSB [8 vestigial side-band] or COFDM [coded orthogonal frequency division multiplexing]; and then do we have cable compatibility? Do we have a tuner that works in all digital sets so that if you move from Washington, DC to Chicago your set works? Is there cable interoperability with digital? Well, these are all hurdles that we're not over yet but as we get over them, I believe, strongly, that the potential of this medium of digital television is—god, I wish I was forty years old because I think the next twenty-five years are going to be a hell of a lot of fun in this business.

Victor Miller: Perry?

Perry Sook: I agree with Jim. You know, the transition from black and white to color, and there was obviously a consumer demand for that, took twenty-one years start to finish. I don't know that the time table we're looking at is...it's certainly not five years or four years from now. So, it's a part of our business plan. Twenty-six percent of our capital expenditures next year will go to complete the first phase of our digital transition and we'll be on the air and legally compliant. And, by the way, our company agrees with Nat [Ostroff of Sinclair Broadcast Group] that, you know, we have no interest in having discussions about retransmission of our digital signal at the early phase and stage of it right now. And we certainly don't want to give it away. So, you know, we'll be on the air with our first phase in all of our markets. It's a manageable number but I believe that the whole process will be evolutionary going forward; it's going to be driven by a business model, it's going to be driven by consumer demand…set manufacturer and more programming. But, that's going to take time so our approach was to keep our capital outlay horizon as short as possible before we see, to see a return and also to keep our operating expenses as low as possible in terms of running these things at low power until there is some demand.

Victor Miller: Perry, talk about, you have local marketing and a lot of local marketing arrangements in your markets which create essentially a virtual duopoly. Can you talk about why you've set these up and how they…you know, what kind of tangible improvement they've had in the second station that you've operated in those markets?

Perry Sook: Sure, the very first one that we did was in the Wilkes-Barre/ Scranton marketplace and the station with which we have a sharing arrangement is the CBS affiliate in the marketplace. And when it was marketed in Nineteen Ninety-Six it was marketed as a money losing station and the way to profitability was to eliminate the local news because it was the third place station in town. It is now…it is in the news business in a sharing arrangement with our NBC affiliate in the marketplace. We expanded the amount of news from sixteen and a half hours a week now to twenty-one hours a week of local content. And, by the way, 2002 will be the highest cash flow in the recorded history of that station. But literally its news product would not be viable as a stand-alone basis. In Erie, Pennsylvania we have an LMA, a grandfathered LMA, with a Fox station. We produce the market's only ten o'clock news for that station and with that station. There's a distinct identity, it is a newscast of convenience. That news would not exist without the overlay of our number one rated news from our ABC affiliate there. So, it's...again, it's an opportunity, we think, for survival, for viability of, stations three and below. And, by the way, the third place station in that market is one of the big four networks. So, we argue that there probably shouldn't be any kind of a bright light test; this should be judged solely on marketplace sensitivities. And we think duopolies in big markets are all about money and we're fine with that. But we think in the smaller markets it's about a smaller amount of money but it's also...it's about survival. I mean, the unintended consequence of the two-class system is that ten years from now all these stations in markets fifty and below were probably run out of big servers in New York, Chicago, Los Angeles, and there will be no localism. But, we've increased the amount of local news. We've done, in our duopoly markets by about twenty-five percent over that which we inherited because of the sharing of the resources of two TV stations.

Victor Miller: How many duopolies do you have now?

Perry Sook: We have six.

Victor Miller: How many, literally, you own…

Perry Sook: Legal [in the sense of actually owning the other station] duopoly? One.

Victor Miller: And you have five…

Paul McTear: And you've got five illegal.

Perry Sook: No! Five virtual duopolies.

Victor Miller: That was a slip, ladies and gentlemen. LMAs [local marketing agreements] have been around for twenty years, so…you own two TV stations in one market [a duopoly] and the other ones are done through LMAs?

Perry Sook: That is correct.

Victor Miller: Okay, does anybody else have a duopoly or LMA story or can get that person to stop…

Jim Keelor: Uh, yes, would the woodpecker please cease and desist.

[tapping in background continues]

Victor Miller: Go ahead, you talk and I'm going to see what the hell is going on back here.

Jim Keelor: Duopolies. We do not currently do duopolies. We would like to. We are discussing some and we would like to. What we do…what we have done in three markets and looking for four is what we call a virtual station. For example in Lafayette, Louisiana we are the exclusive NBC signal out of Lake Charles. And we have cut a deal with the cable friends as part of our retransmission where we feed our signal up to Lafayette and then we sell in that market as the NBC signal and station in the Lafayette metro and share that with the cable operator. And that's become a tidy little business for us in four markets.

Victor Miller: With that…anybody have any questions for our panel? Before we move on to our digital television update? Thank you.

TV Summit –2002
Loews L'Enfant Plaza
Washington DC
Tuesday, November 26, 2002

Panel Six: Digital TV Update

Panelists:
Jonathan Blake– Partner and Head of Telecom and Media Practice, Covington & Burling
Nat Ostroff – Vice President, New Technology, Sinclair Broadcast Group, Inc.
David Donovan – Chief Executive Officer, MSTV

Victor Miller: [in mid-sentence] …which is our update on digital television. The barrage of slides that you've been inundated with will end right now. And we're just going to go to pure Q&A. What we're going to talk about right now is just an update on the digital television landscape. And to help us do that, we've got Jonathan Blake, who's a partner and head of the Telecom and Media practice at Covington and Burling. Welcome, Jonathan. Nat Ostroff, vice president of new technology at Sinclair Broadcast Group. And Greg—well, actually, we were going to have Greg Schmidt but we did a switcheroo, which is allowed because we're running this thing; and David Donovan, who's the chief executive officer of MSTV is going to play the role of Greg Schmidt. And Greg Schmidt will step into the next panel and play the role of David Donovan.

David Donovan: Greg is much smarter than I am, so…

Victor Miller: But not necessarily his opinions. The basics. David, how much money will local broadcasters spend on digital television?

David Donovan: Well, you're talking in the billions in terms of investment right now. And, you know, candidly, there are things that need to be done, both at the Commission in terms of getting this rolled out...but this is going to be a particularly in your smaller markets, it's going to be an absolutely huge investment overall. I mean, you're talking essentially in the billions of dollars in this industry.

Victor Miller: And bring us up to date on how many stations, Jonathan, are broadcasting with DTV signals right now?

Jonathan Blake: About six hundred and forty-three.

Victor Miller: Six hundred and forty three are on the air with digital TV?

Jonathan Blake: Yes.

Victor Miller: And how many stations are left to go?

Jonathan Blake: That leaves...1,540 from 643, so that leaves...

Victor Miller: About nine hundred...nine hundred stations left to go. Okay. Did, in the latest process, the FCC did allow broadcasters to file for extensions as they roll it out. Does either of you know whether a lot of broadcasters took advantage of that or not?

Jonathan Blake: About five hundred and seven filed with respect to the November One deadline and, of course, the public station deadline is not until May One next year and that fifteen hundred figure that I gave you, that did include public stations, so if you subtracted public stations from that fifteen hundred figure, it would be three hundred less or so; two hundred less.

Victor Miller: So a significant proportion that have filed for extensions. And what do these extensions entitle the broadcaster? What are they extending? What is the…?

Jonathan Blake: Essentially it gives them another six months…but you can sort of look at this as a…a bank account and each time you ask for another extension your credit at the commission goes down and the penalties and problems mount.

Victor Miller: Let's talk about what interim step did the FCC take to make it easier for small market stations to get on the air? I mean, did they have some kind of low power alternative? Is that something akin to that? David?

David Donovan: Well, that's certainly one…I mean, the Commission has really drawn a dichotomy between your large markets and your small markets and they have, particularly in the small markets, they have allowed lower power facilities to come online. That's one way to deal with it and, of course, it sort of matches with the population in those small areas, which are generally going to be much smaller than in your large, you know MSAs [Metro Statistical Area] and your large ADIs [Area of Dominant Influence].

Victor Miller: Let's go through just the process of digital television, starting with the content all the way through to the consumer. Where are we right now in HDTV content from a national perspective and a local perspective? Anybody want to get to this? Whoever...

Jonathan Blake: The CBS network has, I think, all but one of its prime time non news programs in HDTV. NBC is moving ahead very rapidly and so is ABC. It's been a...a sea change over the last twelve months in terms of the amount of HDTV content. Fox believes in the 480 progressive model [lines of progressive scanning], which some do not regard as full HDTV. I just don't have an update on what their plans are. And public television intends to use HDTV in prime time for major events and maybe more and more for a basic schedule for—its basic schedule in prime time but has a multicast model for the rest of the broadcast day, with some pretty specific plans about what those other channels would be.

David Donovan: Just to add, I think if you're looking at overall growth, I mean, essentially this year as we're going into this fall the number of programs that are out there in HD has increased over fifty percent from where we were a year ago. I mean, you've got roughly over two thousand hours of HDTV programming out there. And that includes not only, as John has indicated, your major, you know, your prime time program on CBS, ABC...but NBC has certainly upped its stance as well. And the WB network, for example, has four HD shows and your major sporting events right now which, of course, are significant drivers in terms of purchasing equipment—

whether it's CBS' coverage of the college football, the Masters, the US Open, and Monday Night Football. ABC, I believe, is going to be doing the Stanley Cup Finals as well as the NBA Finals. And the Super Bowl, I think certainly...a year and a half ago Ii was at a conference when essentially the human cry was, at that point, coming from the cable industry that there's nothing out there. Well, that just is not the case anymore.

Victor Miller: So, now, we have made content and we're going to now...we worry now if we're producers of content that all of this content is going to be stolen because it's all on digital now. Where are we on copyright protection? Then we're going to get to a couple of Nat questions right after this.

David Donovan: On copyright protection where we are right now, of course, is that the industry appears to be coalescing around the concept of a broadcast flag. Of course, one of the most troubling aspects of broadcasting free over the air is the ability to simply take it over the air and record it and send it down through a modem on the Internet. There—the industry over the last several months and though the Broadcast Protection Discussion Group has been coalescing around a broadcast flag proposal. My understanding is that the Commission will be receiving comments on that proposal on December Sixth. And I think there is certainly consensus throughout the industry that this type of—and while you define it in terms of copyright, it really is control over redistribution. Essentially, what it would do is embed within the signal information that would prevent the retransmission of that down over the Internet. And the question, of course, as been over the last several years…what can you do within the confines of your own home with that? Can you…you know, can you copy it and bring a copy with that up to your vacation home? Can you copy it and give it to your brother in the next room? There are some very delicate issues there. I think the concept that has been arrived at is something called—I guess it's a personal, in-home network, which is essentially the ability to copy it for your own use…to transmit it for your own use, perhaps to other locations, provided the transmission source is secure. And that, of course is a very interesting element and one that really still has to be worked out. But I think conceptually we're there. And, of course, I think if broadcasting is to survive and go forward copyright protection or control of retransmission of that signal is vitally important.

Jonathan Blake: Victor, you're doing something very interesting in progressing though this. I think one interesting point about cost is that the cost you hear now, as opposed to the costs that were developed by Dick's committee has—is the cost of passing though a network signal. So when you hear costs like two million dollars a station, that's probably a fraction of what the total cost is because, ultimately, when you go to full digital, the whole plant will have to be converted. That is being done gradually with amortization and other techniques. It may not be as much as ten million dollars a station, which was the original figure, but it's a whole lot more than just getting on the air in digital.

Nat Ostroff: Victor, I'd like to just jump in for a minute about the copyright protection? One of the troubling aspects of this whole discussion and David mentioned that conceptually we're there. Conceptualization and execution are really two objectives and they're very far apart. One of the problems with the potential copyright protection idea is it would obsolete all of the HDTV monitors that have been sold into the marketplace to date. And there's a lot of people struggling with that. They would be obsolete in the sense that they would still display a picture but it wouldn't be the HDTV picture if it was carrying a broadcast flag. And that kind of, that kind of onerous outcome, I think, is a huge hurdle in getting past the copyright problem.

David Donovan: I would want to double check, obviously, with my engineers and that the latest version of this, Nat, I wasn't quite sure whether that was correct or not but I will leave that open. Yes, I don't think…

Victor Miller: Well, let's…since I'm not smart enough to know exactly what the heck you guys are talking about, I'll move on to the next topic, if you don't mind. Nat, let's talk about where are we on transmission? We've got a thing, we've got it protected, now we've got to get it into people's homes, people's cars or whatever. Talk about where we are in transmission?

Nat Ostroff: Well, I think first...

SIDE ONE OF TAPE 4 ENDS

SIDE TWO OF TAPE FOUR BEGINS.

Nat Ostroff: [in mid-sentence] ...transmitter, which is the device that emits the signal from the tower. Those specifications are very precise and some of them quite difficult to meet. On the other hand, and a lot of those specifications were written to ensure that the table of allotments that was constructed to allow digital television to be squeezed into the current analog spectrum...that you could do that because of the transmitter's performance. As part of that creation of the table of allotments, the Commission also made technical assumptions about the receiver. And those technical assumptions involved things like how well the receiver could separate signals that were next to each other and how well the receiver could deal with signals that were of greatly different power levels and how well it could receive a signal that was very weak. Those specifications for the receivers, which were created for the table of allotments, have not been included in the current mandate for...a receiver tuner to be placed into all TVs and receivers. And I think that there were really two issues that we're dealing with in terms of this transmission reception system. And, one is, can we build a receiver that will work in an indoor environment where the signal is strong enough with simple antennas? That's sort of been the criteria at least for broadcasters on our side of the discussion...because earlier we talked about the preservation of free terrestrial television. And our definition of free means that you don't have to pay a cable and you don't have to pay a satellite to be able to receive the signal. And we also think that asking for outdoor antennas is just not a viable consumer outcome. So we're really looking for a system that can receive the transmitted signal indoors with simple antennas. We think that may be on the horizon with some of the latest receiver developments. The issue that we're really faced with is how do we make sure that these advanced, improved receiver designs find their way in a ubiquitous fashion into the consumer marketplace? I heard arguments that it's a—let the market decide. I think one of the things that we can see here from this entire seminar today, this summit today, is that there is no business model yet for paying for digital television equipment at the broadcaster level; and that, in fact, the market doesn't really exist yet for digital television. It's a mandated market, it's a government-directed market and the government has to finish the job. In our view, they can't throw this thing out into the marketplace and say, well, now the market will decide when they haven't really completed the definition of what this transmission reception system is going to be.

Victor Miller: I'm sure you have a comment, please?

David Donovan: I think there are a couple of things going on here. One is really a...the real question is how fast one can get...tuners into sets and into the hands of consumers. Now, for the last five or six years during the entire DTV tuner fight, MSTV asked the FCC to adopt tuner specifications. Once the DTV tuner requirement has been adopted the real issue becomes whether or not the best way to get them into the hands of the consumers and accelerate that process is to either have to go back to the commission to continually engage in regulatory fights or work with that industry to accelerate that process. That is an issue which, quite candidly, from MSTV's perspective, we have to go back and talk to our board about. I think the real issue, though, is whether or not you can accomplish this through discussions and getting this rolling rather than fighting at the Commission. We would hope we wouldn't have to fight at the Commission. We would hope that the industries would be able to get together, because it is important both to the consumer electronics industry that they sell equipment that works. It's obviously important to us. So, at this point, I think that the issue is fairly raised, but it is an issue which, hopefully, we would be able to resolve without having to fight for years and years and years.

You know, on that score, candidly, we are still troubled that CEA [Consumer Electronics Association] has continued to file suit against the DTV tuner requirements and we obviously we would hope that they would reconsider that approach.

Victor Miller: Jonathan, any…or do you want to…?

Jonathan Blake: My client has spoken. [laughs]

Victor Miller: Let's talk about…let's go to the next step. How about interoperability with cable? Who wants to start that one?

Nat Ostroff: Well, I'll just make a few comments on it. I think that the ATSC standard [Advanced Television Systems Committee], as it was conceived was developed specifically as a broadcast standard. And the interoperability with cable is still pretty much unresolved. And that may be one of the great weaknesses of where we are today in that…the ATSC 8VSB [Vestigial Side-Band] transmission standard is not as compatible with the cable system as—and I'm going to say a word that'll get everybody's hair standing up but the DVB system in Europe was designed from the get-go to be compatible with cable and satellite transmissions. The ATSC system really wasn't. So we really have to address that issue. To address that issue successfully we need to have a lot more inter-industry cooperation. We're really like three cats in a cage scratching at each other instead of saying we all will do better and we all will be more healthy and more successful if we, if we could only cooperate. And I really am troubled by the fact that we have been unable to reach that kind of level of cooperation.

Victor Miller: David?

David Donovan: Well, I agree with Nat. I think inter-industry cooperation at this point is critically important. Look...broadcasting is fundamentally an open system. Unlike other closed subscription-based systems, we are not providing equipment to which you're purchasing and having control over that equipment; it is an open system. It will remain an open system. Congress will certainly ensure that. Which means the coordination [of] elements between broadcasters and consumer electronics receiver manufacturers become critically important. It is vital that we have some mechanism so that we have those types of ongoing negotiations so that we don't get in all these particular cat fights. With respect to coordination and interoperability between cable, I think there are a number of elements as to what that means. Certainly, VSB is the system and we will go forward with that. I think to some extent, though, what we have been watching—I'm shifting just a little bit—is the ongoing discussions between cable and the consumer electronics industry with respect to plug and play—which I think are also critically important for the over-the-air broadcast. Because once that's resolved, and the smarts and the features are being put in the sets, that will clearly benefit over-the-air television broadcasting.

We want our model to have feature-rich sets out there in the hands of consumers...that will provide all the services and everything that over the air has to offer. And I think an agreement between cable and CE as to plug 'n play will certainly [work] ultimately to our benefit.

Jonathan Blake: Let me give an example of how important this issue is. A year ago I took one of my kids on a Saturday and went around to a bunch of retailers and asked about HDTV sets and whether they would work on cable. And the answer on every single retailer was, 'I don't know.' Now, with cable penetration as high as it is, that's got to be a huge dampener to selling digital sets—a huge dampener. So the things are interrelated. You really have to solve that problem if you're going to expedite the sale and the penetration of digital sets.

Nat Ostroff: Jonathan, I agree with you, we did the same experiment, came to the same conclusion in the Baltimore market that the consumer electronics retail industry is doing a terrible job or maybe an excellent job—depending on which side of the equation you're on—in deceiving or...or not fully informing the buyer on what they're getting. And we have really not found a single retailer who understood what he was selling and specifics and could answer detailed questions to the extent that the answers may not be conducive to enticing the sale. This is a real problem for us as broadcasters for the simple reason that you only get a first time—

you only get one chance to make a first impression. We put our digital signals on the air…the market…and if we choose to promote those signals—and I have some issues with the fact that we're operating at low power, by the way—but the fact that we promote these signals in the marketplace. And folks go to the retailer to buy a set and they ask the question, 'Can we receive the local television station—digital station?' And when the retailer says, 'I don't know,' or 'no,' or 'the signal that you're looking at is coming from a server and we can't receive the digital signal because we haven't put an antenna on the roof of our building,' and so forth. We don't get a second chance to get that consumer's eyeballs to look at our off the air signal. And there's been an enormous focus, and rightly so, perhaps, on making sure that cable and broadcasters get together and our signals get carried. But the simple reality is that the broadcaster has spectrum. And that spectrum only has value if it's used to deliver our product to the—directly to the eyeballs of our audience. If we have to succumb to a gateway provider like a cable system that has ninety-six percent or eighty-seven percent of the penetration in a market like Philadelphia, for example, then we become a cable programmer; local orientation, no doubt. But you don't need an FCC license to be a cable programmer. And, so, we really need to make our spectrum work for us and that means we need to have receivers that work, we need to have a consumer electronics industry that does not focus so heavily on cable and satellite receivers that it's willing to forget about or to marginalize its product in terms of capable off-air receivers.

Victor Miller: Let's move to set tuners. What's going on in the development there? You want to start, David, with that?

David Donovan: Set-top boxes or tuners in the sets?

Victor Miller: The tuners in the sets.

David Donovan: I think that there are a number of promising developments in that area. I mean, I think Nat is correct, in any reception model, you have both the transmission and the reception side…and there are some number of chips that are being developed out there that, quite frankly, will improve or are in the process of improving reception capabilities. There's a Casper link system out there; I know Broadcom is working on a chip as well. Um, those types of sort of natural developments in technology I think are making great strides in that…

Victor Miller: Anybody like to follow? Jonathan?

Jonathan Blake: Yes, I've used this analogy before. It seems to me that when we shifted over from leaded gas to unleaded gas that at a certain point in time car manufacturers had to stop manufacturing cars that ran only on leaded gas. And I think if we're going to make the same kind of conversion to digital there has to be a similar shift-over to occur. And I actually am kind of optimistic that it's going to happen because I think, increasingly, the CEA industry understands that it's necessary for it to do that.

David Donovan: Let me just add one, sort of, incentive here. There are actually, I think, a couple of incentives operating out in the marketplace; one, of course, is, as Nat has raised, which is the CE [consumer electronics] guys. And if you listen to...CEA makes some statements, well, cable's where it's at and don't worry about broadcasting. But the flip side of it is, and if you begin to talk to some of their strategists amongst the companies themselves, over the air television broadcasting serves as a competitive and a competitor counterbalance...to other systems. So that if you're not involved in the set-top business, the set-top box business, or you're not involved in making set-top boxes for satellite companies; you need and want an over the air television broadcast industry to be feature-rich in providing those services over the air so that you can provide feature-rich sets as opposed to just providing dumb monitors; because there's no money in just producing dumb monitors. So, Nat's emphasis I think is a correct one in terms of the importance of off-air—not only for us but also for the CE guy.

Victor Miller: Let's move to another title...where are we with educating the consumer on the merits of digital television and even how to even buy a set and know what the hell to do with it when you get it home?

Nat Ostroff: Practically nowhere.

Victor Miller: Then what should we do? What can the industry do about it?

Nat Ostroff: I think there's a dual responsibility. I think the broadcaster himself, herself, needs to be more proactive in promoting the fact that they have digital signals on the air; and perhaps tutorials on how to use that—how to receive those signals. And the consumer electronics industry needs to be putting out some literature, at least at the training level to educate the sales folks on the floor. And I don't think it necessarily needs to go all the way down the mom and pop store in the corner but once the large distributors educate their salesmen, that will put requirements on every sales individual who's going to be effective in making a sale to become more knowledgeable about digital television.

Jonathan Blake: Victor, one thing I think it's really going to help is the programming. I think it'll pull people to ask the questions and then the people who are asking questions of are going to be responsible for answering. The LIN Television stations and others carry, by multicast, some of the early rounds of the NCAA games in Indiana. Those people are going to ask about how you install and how you use digital television and they're going to know about it. And that, hopefully, will have a kind of snowballing effect.

Nat Ostroff: Jonathan, there's an excellent point that comes out of that. We're so concerned about having cable carry our digital signals. The really…driving force, I think, behind getting cable to carry our signal is you create a demand in the marketplace by delivering our signals effectively to an audience over the air…which then drives the audience to want to see those signals on the cable system as well. And that gets back to the whole issue of do we have an effective transmitter/receiver system at this point?

Victor Miller: Let's talk a little bit about the flexible usage of spectrum. As you know, the FCC said that you can pretty much do whatever you want with your spectrum but if you do something other…and you collect revenue doing it and it's not related to your TV signal, you have to pay a toll, five cent—five percent of your revenue. But, when, you know, David Smith and ABC started talking about using the spectrum for other things they got hauled in front of Congress and said, 'I thought this was about HDTV'. So where are we right now on the flexible usage? Are we…past that to where broadcasters are going to be…?

Nat Ostroff: The fact that you mentioned Dave Smith, my boss, I have to say at least one thing…yes, back in those days it seemed like prehistoric times…we and ABC talked about multiplex, multiple programming and we actually did a demonstration back in 1988 of five channels on the digital system. And that was really, really received quite negatively by Congress. But I think today...the reality that multiplexing of the digital signal is one of the applications that can be used in conjunction with transmission of HDTV and shared with HDTV on a time basis. And I don't think it has the same stigma associated with it that it had four or five years ago.

Jonathan Blake: For public television, which has a very specific plan and has spent a lot of money and has entered partnerships with colleges, universities, libraries, they have a plan for five different channels of multicast during the daytime schedule; they've made commitments to that effect. What they stare in the face is the possibility—because of the Commission's interpretation of primary video—that they will not be able to reach eighty percent of their audience. And that's...they are placed in a very difficult position because they have this valuable resource...if they use it for ACTV they get carried across the board, if they use it for multicast only one of the five program streams gets carried—that's going to affect what they do with that channel. And it could be pretty tumultuous.

Victor Miller: Talk about that whole issue of...

Jonathan Blake: --Primary video?

Victor Miller: Primary video, yes, please.

Jonathan Blake: Well, the act calls for the…for cable to carry primary video; it calls for cable to do so in analog and calls for it to do so in digital. The Commission in December 2001 interpreted primary video to mean a single channel of programming. The Commission is reconsidering that quite open-mindedly to determine whether that should include all free channels of programming or just one channel. That issue is up in the air; there are a number of ways that it could be resolved and it could be resolved by negotiations between the industries; it could be resolved by a further notice of proposed rule-making, which I would be…after all, this proceeding was supposed to start six years ago. It could be resolved by a determination that multicasting should be provided as free programming. It could be part of the all free bit solution or the Commission could stick with its earlier determination that it was just one program stream.

Victor Miller: Am I right, did Commissioner Abernathy have…say something recently on this where she questioned the Constitutionality of the whole issue?

Jonathan Blake: Well, there is a…there is a legal issue and I think she would, perhaps, like more comment on it although the record is very, very well teed up on this issue. The argument would be that if there's a Constitutional…a serious Constitutional issue raised that you want to interpret the term 'primary video' narrowly…but, to oversimplify somewhat, after all carrying the HDTV…requires a certain amount of capacity. If you split that same capacity up among various channels of multicasting, the burden isn't any greater—the capacity being required to be accommodated by the cable system isn't any greater. But that's where her concern is and I think the other commissioners regard that as an important issue to resolve, although…and she might come around and feel that could be done without raising Constitutional issues.

Victor Miller: They think that right now the Federal Communications—this Commission has been much more active in proposing and making the parties talk and putting out proposals; obviously, they've formed an internal group, headed by Rick Chessen that looks just this issue, which I think was a good move. Obviously, Billy Tauzin's been very, very involved. And you can say that now Senator McCain is the head of the commerce committee in the Senate…that he's also with the seventy billion dollar spectrum value in mind…could also be an agitant and/or proponent, and/or a part of it that could actually get things done. What do you think the government should do? What areas should they get involved with? Do we need legislation? Do we need FCC? Do we just need the parties to sit down in a room and not let them out? I mean, what's the biggest issue here and how do we solve it?

David Donovan: Well, I think if you start from where we were about a year ago, which was essentially the government had done nothing for the longest period of time. Chairman Powell and Chairman Tauzin have done a terrific job in getting momentum on the issue—whether it's getting tuners going, forcing people to sit in a room and talk…they have done a terrific job getting the ball running. Where do we go from here? First of all, I would hope that we do not get bogged down in debates regarding the seventy billion dollar giveaway because I think as the most recent auctions proved when they auctioned three to four channels, they got eighty-five million dollars nationwide…it isn't a seventy billion dollar giveaway, never has been. This is a transition that is designed to benefit consumers. The reason why we had digital channels…were allocated in the first place was for consumers, not necessarily for the industry. For the industry I think is going to be spent all day discussing. It has been an economic burden to make this transition…and, up to now, one which has been very painful, particularly in the small markets. So I hope we don't go down that road but what do we need to get done? It seems to me that we need to get, as a first step, we have to resolve the carriage issues. Nat is absolutely correct that what we need competitive-wise is to get our off-air signals out there, to have…and to compete at that level. But we also have to face the realization that as we're switching transmission systems, as we're switching over to digital, the vast bulk of many markets today are people subscribed to cable. And the decisions that are made in the context of carriage are going to affect how we roll this…how fast this digital process rolls out. So, I think that has to be at least one of the critical issues as we go forward. I think the other issue of course is to make sure that the tuners to roll out and roll out in an expedited fashion. And I also believe, you know, one of the things that we really need to do of course is to try to reach resolution on the cable interoperability issues and particularly the plug n' play. At the end of the day, consumer convenience is going to be king. People have to be able to walk in to a Circuit City or any other retailer, buy a television set, take it home, have it plug into the wall, have it feature-rich, or get it off the air.

Jonathan Blake: I actually think…it probably looks really darkest and bleakest now and, in fact, all of the industry players have an incentive to have the digital transition succeed. Cable gets the benefit of getting back half the capacity that it devotes to analog because, in digital, it can put two channels of television programming in a space where it now can only carry one. Receiver manufacturers will want to have it succeed because they want to sell sets that have greater benefits to the consumer. And broadcasters want it to succeed and to be over with because they do not want to be operating two plants with two sets of operating costs. You know, when you're negotiating a deal and people's personalities get in the way of getting it done you say, 'well, this deal ought to be done' and, therefore, it will get done. And that's what I think is the momentum that will eventually drive a solution, while I can't really be sure how we get there.

Victor Miller: Now I'd like to ask a final question of you before we go to questions from the floor. What do you conceptualize as the business model for your digital spectrum at Sinclair?

Nat Ostroff: I wish I could tell you we had an answer to that question. I think it was said earlier that nobody yet has come up with a robust business model for the digital spectrum and I think we, at Sinclair, are more or less on that same train. This is a government driven initiative; it's not a market driven initiative. And it was driven by technology, not by economics. And we're still struggling to figure out what the economics are. One of the points that I'd like to throw out is that there has been a discussion throughout the day today looking for second revenue streams for broadcasting. And the numbers, the horrendous disparity between the revenues generated off of our signals by subscriber fees for cable and how broadcasters get none of it. I think there's an interesting possibility here and that is that the cable industry, to answer your question about revenue stream and business model, the cable industry is looking to entice its subscribers to move to the digital tier. There's a real economic upside for them to do that. The broadcasters are broadcasting expensively produced, expensively transmitted HDTV and we're doing more and more of it every day. And that HDTV is something the cable company would like to put on their digital tier as an incentive to move people up to that digital tier. The question I pose is this; the broadcaster today is deriving zero revenue from that digital signal. There is no economic risk at this point for the broadcaster to turn to the cable systems and say, 'if you want our digital signal, pay us for it.'

Victor Miller: Let's say, theoretically, they say, that's all right, we said we would offer our five slots and if you broadcast it [and so on], we'll give it HBO and we have to do this and do that…and they'll take your spots instead?

Nat Ostroff: Well, when a cable channel wants to get carried on the local cable system and it's not being carried it promotes itself. We have the mightiest promotional engine in the world called our broadcast analog TV station and we could be talking about the fact that *The West Wing* is being broadcast in HD, that the football games are being broadcast in HD. If you want to see it on your cable system, call your cable system. We could create that demand. We market for General Motors, we market for Ford, we market for everybody but ourselves. We have a product to sell; it's HDTV, it's the only business model that we know how to make money with. We sell advertising, that's our business. A lot of the other business models are experiments in creative business models. But what we do know how to do is sell advertising. We need to have eyeballs to sell it. We, first of all, have to sell ourselves, our product, to the marketplace and, I believe, we could create a demand for our HDTV signals on the cable system and we could generate a second revenue stream. Why are we not doing that? I just don't know.

Victor Miller: The Grand Marshall for the DTV parade, ladies and gentlemen, Nat Ostroff. Any questions on the DTV subject? Please? And, by the way, we will not be breaking at all for the next panel. We're just going to have them come right up so we can keep everyone on time, you know, to try to get out between four and four-fifteen today.

UM1: Just really quickly on the issue of multicast. It seems if you're going to get consumers to go out and spend whatever it's going to be, a hundred bucks to buy a new receiver box to receive digital if they're thinking of shutting off the analog signals, putting multicast on would be sort of an incentive or give back to the consumer in terms of more content for going out and spending our money. I can understand the cable guys not wanting to carry all that because it really cuts into their business. But what's the likelihood of that happening? Multicast being permitted under the...the FCC saying 'Go ahead with multicast because this is how we're going to give back to the consumers' and they're going to force the cable to take it because that's the only way it makes sense for the local broadcasters to invest in doing multicasting.

David Donovan: I think…I'm hopeful…you have this going on in two venues right now, one at the FCC and also one at the Hill in which the issue of ultimate carriage and multicast carriage is still left open with respect to Billy Tauzin's staff draft. I think in the end, the Commission, precisely for the reason that you've recognized, is that if you want to accelerate the digital transition, you want to permit—particularly with respect to broadcasting, which is linked to spectrum reclamation…getting spectrum back…then you have to take steps to accelerate the off air television portion of that transition. And I think once they recognize…but to do that you really need to have situations where consumers want to buy sets and want to watch digital television. The ability to provide HDTV, which Nat is absolutely right, which is a known driver of this, there's clearly one way to do it and, at this point, I think the most important way to do it. But the other, of course, is during certain time periods, perhaps, to offer alternate services and multicast free over the air options. And I am hopeful that the Commission will recognize that, especially those who are in the room right now.

Jonathan Blake: One of the big challenges is that the carriage rules that the Commission is focusing on only go into effect, as presently contemplated, after the transition is over. So you think of it as trying to drive the transition but how do you drive it—the timing is off. David is right, I think, in saying the Commission should start thinking about whether there are rules that would apply during the transition in order to speed the transition; because, in the end, all the industries benefit by a faster rather than slower transition.

Victor Miller: Question over here?

Anne Marie Fink: Um, you talked about getting multiple multicasting and one of the ways to do it is by promoting yourselves on your own air. But the other way that cable networks get is through launch fees. Are you guys contemplating paying launch fees to get cable carriage?

Nat Ostroff: I don't think so. [laughter]

David Donovan: They'd buy our share of the additional advertising revenues…zero-zero.

Victor Miller: Thank you. We're going to go right to the next panel, so…stay in your seats.

TV Summit –2002
Loews L'Enfant Plaza
Washington DC
Tuesday, November 26, 2002

<u>Panel Seven: Issues Facing the Business – Washington Perspective</u>

<u>Panelists:</u>
Richard Wiley – Managing Partner, Wiley, Rein & Fielding LLP
Wade Hargrove – Partner, Brooks, Pierce, McLendon, Humphrey & Leonard, L.L.P.
Greg Schmidt – Vice President, New Development & General Counsel, LIN TV Corp.

Victor Miller: We have our Washington watch panel, which is our last panel of the day. And we'll be featuring…Greg Schmidt; we're going to go right into the Washington Watch Panel, again, aiming to keep our four-fifteen at the max ending. The three people who are going to help us go through the Washington perspective are Greg Schmidt, who's the VP of New Development and general counsel of LIN Television. Good afternoon, Greg. Wade Hargrove, partner of Brooks, Pierce, McLendon, Humphrey, and Leonard—lot of names there…and, Dick Wiley...

Wayne Hargrove: I said everybody in the name is dead. [laughter]

Victor Miller: I'm glad your name isn't…

Wayne Hargrove: We believe in tradition.

Victor Miller: And then, Richard Wiley, of course, managing partner of Wiley, Ryan, and Fielding…

Richard Wiley: Still living.

Victor Miller: Still living. Let's talk about the mid-term elections. First of all, a few weeks ago the Republican Party retained control of the House, actually picked up seats in the House and recaptured control of the Senate. Let's look at the legislative side. Please review for us what changes will occur in leadership in the Senate and the House relative to the Commerce Committee? And what that might mean for television and the radio business. If you want to mention that, Dick, to start?

Dick Wiley: Well, I think we're going to see a more deregulatory bent. Senator McCain is certainly in that pew compared to Senator Hollings. He, after all, was one of the handful of Senators that voted against the Nineteen Ninety-Six act because it was too regulatory. And I think he favors a reexamination of the media ownership rules. He has in the past introduced legislation to eliminate the newspaper broadcast cross-ownership rule. So, I think, compared to the Democratic leadership, I think we're going to head into that direction. Having said that, I think Senator McCain also has some positions that have tended to worry the industry in the past. He's asked the GAO to study cable rates. He's called the spectrum for digital television—that seventy billion giveaway, as we've heard. He favors free air time for political candidates…one percent of broadcasters' gross revenues. So there are a number of things that must balance that.

Victor Miller: What influence, Wade, do you think Congress is likely to have on the NPRM's process now?

Wade Hargrove: Well, I agree with Dick. On ownership issues, Senator McCain, who will now chair the Commerce Committee, has been very laissez-faire with respect to ownership issues. But Senator Hollings will still be there. We know very much, we know that he very strongly opposes relaxation of the newspaper/broadcast cross-ownership issue. He will not have the influence at all that he's had in the past. One of the important positions he had on the side from chairing the Commerce Committee was he chaired the Senate Appropriations Committee that appropriated funds for the Commission. So, Chairman Powell will not have to respond to Chairman…to Senator Hollings' chair of the Appropriations Committee. Nevertheless, he's still there and he'll be a force to be dealt with. There's not likely to be any change in…in the Commerce Committee with respect to its leadership on the House side. So…and Congressman Tauzin has not expressed a great deal of interest in ownership issues. The point being I do not believe that there will be any serious pressure from Congress on relaxation of the ownership rules—with one exception and that is the cap. The cap, the national television cap, a thirty-five percent cap, has been an issue that historically has attracted the interest of Congress. And when the Ninety-Six Telecom Act was passed the networks then were attempting to get the cap repealed in its entirety or at least get it to fifty percent. The Senate passed legislation, initially, that retained the cap at twenty-five percent; it was re-considered at Senator Dole's request and the compromise was struck at thirty-five percent. So, it remains to be seen whether there will be any Congressional interest with respect to maintaining the cap. And that's an issue that, frankly, doesn't split along part lines. It's an interesting coalition...Byron Dorgan and Senator Jesse Helms, for example, led the coalition in the Senate to keep the cap at twenty-five percent. So it's hard to predict on a partisan basis, how members are likely to come down on the cap.

Greg Schmidt: I think Senator Lott's already sent some indication...

Wade Hargrove: Yes, Senator Lott said he's troubled by increasing the cap.

Dick Wiley: I think had there been a changeover in the House that would have been very big because, as you know, in the House the majority can get what they want done. In the Senate, going Republican means that Senator—as Wade said—Senator Hollings isn't in a position to implement his will directly as chairman but in the Senate you can still cause a lot of mischief or maneuver around if you're an adept legislator and he certainly is that, even if you're in the minority. So there's still going to be a lot of play in Congress but it's, at this point, doubtful they will play a major role in the ownership procedures.